

SECURITIES



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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FEB 24 2005

WASHINGTON, DC 20543

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/04 AND ENDING 12/31/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

XT Capital Partners

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

37 Sherwood Drive

(No. and Street)

Westport Connecticut 06880
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Julie Cochran (212) 909-2682
(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Rothstein, Kass & Company, P.C.

(Name -- if individual, state last, first, middle name)

85 Livingston Avenue Roseland New Jersey 07068
(Address) (City) (State) (Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions

FOR OFFICIAL USE ONLY

PROCESSED

MAR 23 2005

THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

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8/11/05

OATH OR AFFIRMATION

I, Julie Cochran, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of XT Capital Partners, LLC, as of December 31, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Chris Wilkerson
Notary Public, State of New York
No. 01WI6074356
Qualified in New York County
Commission Expires May 13, 2009

Notary Public

Julie Cochran
Signature
Managing Partner
Title

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditor's report on internal accounting control.
- ☐ (p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

XT CAPITAL PARTNERS, LLC

**STATEMENT OF FINANCIAL CONDITION
AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2004

XT CAPITAL PARTNERS, LLC

CONTENTS

Independent Auditors' Report	1
Financial Statements	
Statement of Financial Condition	2
Notes to Financial Statements	3-5
Supplementary Information	
Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission and Regulation 1.17 of the Commodity Futures Trading Commission	6
Reconciliation of Computation of Net Capital Under Rule 17a-5(d)(4) of the Securities and Exchange Commission	7



INDEPENDENT AUDITORS' REPORT

To the Members
XT Capital Partners, LLC

We have audited the accompanying statement of financial condition of XT Capital Partners, LLC (the "Company") as of December 31, 2004. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of XT Capital Partners, LLC as of December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the statement of financial condition taken as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the statement of financial condition, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934 and Regulation 1.10 under the Commodity Exchange Act. Such information has been subjected to the auditing procedures applied in the audit of the statement of financial condition and, in our opinion, is fairly stated, in all material respects, in relation to the statement of financial condition taken as a whole.

Rothstein, Kass & Company, P.C.

Roseland, New Jersey
February 17, 2005

XT CAPITAL PARTNERS, LLC

STATEMENT OF FINANCIAL CONDITION

December 31, 2004

ASSETS

Cash	\$	290,054
Equipment, net		18,449
Other assets		<u>6,667</u>
	\$	<u>315,170</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities, accrued expenses	\$	160,006
Members' equity		<u>155,164</u>
	\$	<u>315,170</u>

See accompanying notes to financial statements.

XT CAPITAL PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS

1. Nature of operations

XT Capital Partners, LLC (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers, Inc. (NASD). The Company markets and distributes specialized investment management strategies for institutional investors.

The Company is an introducing broker registered with the Commodities Futures Trading Commission (CFTC).

2. Summary of significant accounting policies

Equipment

Equipment is stated at cost less accumulated depreciation. The Company provides for depreciation on the straight-line method as follows:

Assets	Estimated Useful Life
Computer equipment	3 Years
Furniture	7 Years

Revenue Recognition

The Company recognizes advisory revenues in accordance with the provisions of the respective agreements.

Income Taxes

No provision for income taxes has been recorded because the Company is a limited liability company. Accordingly, the individual members report their share of the Company's income or loss on their income tax returns. The Company is subject to the New York City Unincorporated Business Tax ("UBT").

The Company complies with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax asset and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

XT CAPITAL PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS

3. Equipment

Details of equipment at December 31, 2004 are as follows:

Computer equipment	\$	25,257
Furniture		3,608
		<u>28,865</u>
Less accumulated depreciation		<u>10,416</u>
	\$	<u>18,449</u>

4. Exemption from Rule 15c3-3

The Company is exempt from the SEC Rule 15c3-3 pursuant to the exemption provision of such paragraph (k)(2)(i) and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

5. Concentrations

The Company maintains all of its cash in a financial institution, which at times, may exceed federally insured limits. The Company has not experienced any loss in this account and believes it is not subject to any significant credit risk.

During 2004, the Company provided services to one major customer, resulting in approximately 84% of the Company's total revenues.

6. Commitments

The Company leases office space under a lease which expires December 2005. The lease requires the Company to pay real estate tax escalations and other costs associated with the office space. The Company has the option to renew the lease for no less than six months from the expiration of the lease. Aggregate future minimum annual rental payments in the year subsequent to December 31, 2004 is \$90,000.

Rent expense for the year ended December 31, 2004 was approximately \$57,000.

7. Retirement plan

The Company maintains a Qualified Retirement Plan for its members. Company contributions are made at the discretion of the members and are subject to limitations provided by the Internal Revenue Code. The Company made a contribution to the plan of \$162,000 for the year ended December 31, 2004.

8. Net capital requirement

The Company, as a member of the NASD, is subject to the SEC Uniform Net Capital Rule 15c3-1. This rule requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1, and that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1. The Company is also subject to the Commodity Futures Trading Commission's minimum financial requirements which require that the Company maintain net capital, as defined, equal to the greater of its requirements under Regulation 1.17 under the Commodity Exchange Act or Rule 15c3-1. At December 31, 2004, the Company's net capital was approximately \$130,000, which was approximately \$125,000 in excess of its minimum requirement of \$5,000 under SEC Rule 15c3-1 and \$100,000 in excess of its minimum requirement of \$30,000, under Regulation 1.17 of the Commodity Exchange Act.

XT CAPITAL PARTNERS, LLC

SUPPLEMENTARY INFORMATION

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION AND REGULATION 1.17 OF THE COMMODITY FUTURES TRADING COMMISSION

December 31, 2004

Total members' equity	\$	155,164	
Less nonallowable asset, equipment, net		<u>25,116</u>	
Net capital	\$	<u>130,048</u>	
Aggregate indebtedness	\$	<u>160,006</u>	
Computed minimum net capital required (6.67% of aggregate indebtedness)	\$	<u>10,667</u>	
Minimum net capital requirement (under SEC Rule 15c3-1)	\$	<u>5,000</u>	
Minimum net capital requirement (under CFTC Regulation 1.17)	\$	<u>30,000</u>	
Excess net capital (under SEC Rule 15c3-1) (\$130,048 - \$5,000)	\$	<u>125,048</u>	
Excess net capital (under CFTC Regulation 1.17) (\$130,048 - \$30,000)	\$	<u>100,048</u>	
Percentage of aggregate indebtedness to net capital	\$	<u>160,006</u>	
	\$	<u>130,048</u>	
			<u>123.0%</u>

XT CAPITAL PARTNERS, LLC

SUPPLEMENTARY INFORMATION

RECONCILIATION OF COMPUTATION OF NET CAPITAL UNDER RULE 17a-5(d)(4) OF THE SECURITIES AND EXCHANGE COMMISSION

December 31, 2004

Net capital, as reported in Company's Part II-A
Focus Report (*unaudited*)

\$ 224,048

Less

Discretionary profit sharing contribution

(82,000)

Other audit adjustment

(12,000)

Net capital, as adjusted

\$ 130,048